

DWS Concept Platow – March 2019 Report

“Why did the Platow Fund lose one of its five stars from Morningstar?” pfp Advisory has been asked this question more than a few times lately, including at Morningstar’s award presentation ceremony just a few days ago. A weak performance in the second half of 2018 is mostly to blame for the loss of the five-star rating.

But that’s not the whole picture. Morningstar gives the (risk-adjusted) returns over a ten-year and five-year period a significant combined weight of 80% in its rating formula and it does not measure returns going back more than 10 years. As a result of this methodology,

the DWS Concept Platow Fund has recently been saddled with a double handicap. 2013 and 2008 happened to be the years when the fund posted its strongest outperformance vs. not only the SDAX and DAX but also many other funds as well, and it is precisely those two years that are now no longer included in Morningstar’s monthly ratings of fund performance over the 10-year (2008) and 5-year (2013) time periods.

Top Ten Holdings
Puma
Bechtle
Cancom
S&T
MTU Aero Engines
Sixt
Datagroup
Mensch und Maschine
Steico
Einhell
29.3.2019, sorted according to weighting

Put differently, months with a stellar outperformance were superseded in second half by months with a weak performance. What’s more, with the start of the current new year, the initial months of 2014 have now dropped out of Morningstar’s calculations for the five-year period and the first quarter of 2014 was also a very good one for the fund. But this time the new performance data was even better: The DWS Concept Platow Fund achieved the best return of all investment funds in Morningstar’s “Germany Small-Cap Equity” and “Germany Large-Cap Equity” categories (based on Morningstar Fund Screener as of April 1) for the first quarter of 2019.

This outperformance, also vs. the SDAX and DAX, was fueled in March by the above-average gains from Bechtle, Cancom, Mensch und Maschine, MTU and other portfolio heavyweights and the high returns of mid-sized portfolio positions such as Deutz and Einhell. Losing stocks were few and far between; substantial losses were limited to small portfolio positions as Edel, Elmos, Gesco, Stabilus, and USU.

Advancing stocks got a leg up from generally positive news flow. Hochtief was the one disappointment, which dropped on the news that Atlantia had sold an 8% stake in the company. 2G Energy, Adidas, Cancom, Deutz, Einhell Germany, Logwin, Masterflex, Muehlan, Nordwest Handel, Nynomic, Sixt, SMT Scharf, TAG Immobilien, USU Software, Uzin Utz, Volkswagen and Wacker Neuson reported their full-year results in March. Allianz and PSI Software launched share buyback programs. Directors’ dealings involving the companies in our portfolio were all on the buy side and were reported by Covestro, Deutz, Fresenius, Frosta, Jungheinrich, Kion and Volkswagen; at Hella a gift of stock was reported.

Two of “our” stocks, DMG Mori and VTG, were removed from the SDAX but this had no impact on their share prices. That wasn’t surprising in the case of VTG considering the takeover price offered. We took advantage of the stable prices ahead of the stock’s pending delisting and completely exited this position in the open market. KAP was uplisted to the Prime Standard, Puma announced a 10-for-1 stock split and Volkswagen shelved its plans to spin off Traton, its commercial vehicle and bus manufacturing unit, for the time being.

Amid the flurry of news in March, pfp Advisory continued to operate in “business as usual” mode: We tweaked the portfolio, pored over annual reports and met with numerous senior executives over lunch or at conferences. Primary research like this is an important part of the overall management process for the DWS Concept Platow Fund (LU1865032954, LU1865033176, LU1865032871) and the “Platow Certificate” (DE000DB0PLA8). For information on the investment process, please visit www.pfp-advisory.de.

Investment objective and strategy

The DWS Concept Platow is a mutual fund focusing on German equity. It was launched by DWS Investment GmbH. pfp Advisory GmbH is the portfolio advisor. An in-depth analysis of the entire German stock market is the basis for all investment processes. Important elements include a tried and tested stock-picking process developed by Christoph Frank, careful balance sheet analysis and hundreds of conversations with executives and other company insiders every year. The opportunities and risks presented by individual companies’ equity are crucial, while macroeconomic considerations and inclusion in a stock index are mostly immaterial. That is why the DWS Concept Platow Fund’s portfolio usually differs substantially from the composition of major stock indices.

pfp Advisory in portrait

pfp Advisory is an investment fund advisory firm located near the Frankfurt Stock Exchange that specializes in the analysis of equity and other securities. The customers are investment funds and professional investors. At the heart of the investment strategy is a systematic and extensive stock analysis that is focused on identifying the opportunities and risks of individual securities („Stock-Picking“). pfp uses a combination of key ratio analysis, knowledge of listed firms and stringent long-term investment principles. The pfp’s directors Christoph Frank and Roger Peeters each possess over 20 years of market experience and they have used their expertise to advise the DWS Concept Platow.

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